

LINCOLN COUNTY, WASHINGTON
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. The County's Controls Over Accounting Systems Should Be Improved

Our audit identified several significant weaknesses in the controls over the county's accounting system. Examples of those weaknesses include:

a. Deposits

There are several departments which do not deposit their daily receipts on a timely basis with the treasurer. Also, district court holds its receipts in a checking account until month end.

b. Bank Accounts

We reviewed 20 bank accounts during our audit. Several of these accounts were either unauthorized or used inappropriately. One account was improperly used to make disbursements. The fair account was not reconciled and closed within 90 days following the conclusion of the fair.

c. Receivables

Procedures for identifying and initiating collections on court receivables were not followed. This resulted in uncollected fines/forfeitures of over \$100,000.

d. Financial Reports

Our review of the Schedule of Federal Financial Assistance revealed numerous errors. Some grants were assigned incorrect Catalog of Federal Domestic Assistance (CFDA) numbers, or were in fact not grants.

e. Minutes From Board Of Commissioners' Meetings

The minutes of the board of commissioners' meetings did not include all approved expenditures. Additionally, the minutes have not been formally approved or signed for several months.

f. Budgetary Controls

Budget amendments and transfers were done just prior to year end when approved expenditures had already exceeded appropriations.

g. Receipting

Rediform receipts are being used at the road shops. The result is no

accountability for those revenues which are generated by the sales made at the various shops.

The county's decentralized organizational structure inhibits the development and operation of a uniform, effective system of accounting controls. Inadequate management, absence of supervisory review procedures, along with the lack of technical training contributes to the internal control weaknesses noted above.

These internal control weaknesses have the potential to contribute to potential loss of revenues, inefficiency in daily operations, and inadequate safeguarding of the county's assets.

We recommend:

- a. Deposits from all departments be required to be made daily and intact to the county treasurer.
- b. Staff be provided with adequate training.
- c. Review functions by management and supervisors be increased.
- d. Minutes from the meetings of the board of commissioners be reviewed for completeness and approved in a timely manner.
- e. All bank accounts be reviewed to ensure that they are necessary and being used as intended by original resolution.
- f. The county discontinue use of all rediform receipts.

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Schedule Of Federal Findings

1. The County Should Integrate Grant Accounting Into Its General Accounting System

The county has not integrated all of its grant accounting into the county's general accounting system. The vast majority of the grants received by Lincoln County are operated within the Road Fund. Expenditures for county road construction are currently accounted for using a cost accounting system within the county engineers department. Accounting within this system identifies expenditures by road project but does not identify the application of grant funds. Summary information is transferred from the cost accounting system to the county's general accounting system. However, due to system incompatibility, complete grant project numbers cannot be transferred. Thus, the general accounting system is incapable of providing project identification.

The "Common Rule", the *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C. Section____20,(b)(2) Accounting Records, states in part:

Grantees and Subgrantees must maintain records which adequately identify the source and application of funds provided for financial-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income

OMB Circular A-128, *Audits Of State And Local Governments*, paragraph 8.b(1) states in part:

In order to determine which major programs are to be tested for compliance, State and local governments shall identify in their accounts all Federal funds received and expended and the programs under which they were received

Lincoln County accounts for transactions and prepares its financial statements on the basis of accounting prescribed by Washington State statutes and the *Budgeting, Accounting, and Reporting System* (BARS) manual as prescribed by the State Auditor. According to BARS, Part 3, Chapter 5, Section A:

1. Grant accounting must be integrated with a municipality's general accounting records . . .
2. Grant accounting must provide for a segregation, by program/activity/function within each grant, of the following . . .

d. Expenditures already disbursed . . .

f. Non-federal share of costs

Because of the lack of an integrated grant accounting system, we could not trace all expenditures reported on the schedule of financial assistance directly to the county's general accounting system. However, all grant revenues are appropriately recorded; thus, we are reasonably certain that the schedule of financial assistance lists all amounts and sources of grants received by the county.

We recommend county officials integrate all grant accounting with its financial accounting system.